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CAMEROON: TOUGH TIMES AHEAD 25X1

Summary

Cameroon has been a model of economic progress and political stability since it gained independence in 1960 because of the careful use of the country's resources and the effective leadership of former president Ahmadou Ahidjo, who resigned in November 1982. Despite this strong past performance, however, we believe the country will face significant economic challenges over the next few years as a result of less favorable international economic conditions and an overly-ambitious domestic development program. Cameroon's newly-installed President, Paul Biya, will be required to make and impose tough economic decisions to keep the country on a strong development track. 25X1

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The Economy--A Synopsis

Steady Progress

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Under the Ahidjo regime, Cameroon experienced moderate, broad-based economic expansion between independence in 1960 and 1975, according to US Embassy sources 25X1 Led by gains in local food and export crops, real growth averaged 4.6 percent annually through the mid-1970s. Ahidjo's favorable agricultural pricing policies helped double the production of cocoa and coffee--Cameroon's principal exports during the 1960s--to account for over half of export earnings. Cameroon became the fifth largest producer of cocoa and ranked high among coffee exporters during this period. Moreover, Cameroonian farmers diversified their exports to include cotton, rubber, bananas, palm kernels, peanuts, tobacco and tea. Cameroon even retained its status as a net food exporter, a rarity in black Africa. 25X1

The most dramatic progress, however, was made in manufacturing, which, according to US Embassy sources, averaged an impressive 11 percent annual expansion during the period. Led by agricultural processing, the industrial contribution to GDP had risen from 10 percent in 1960 to 16 percent by 1975. We believe this performance was spurred by preferential treatment given to both domestic and foreign investors under Cameroon's liberal investment code, which allowed, among other benefits, duty free imports of raw materials and machinery and exemption from taxes on products and profits for three to 10 years. Numerous industries also were developed to produce a wide variety of consumer goods, including shoes, textiles, soap, and paper containers. 25X1

Yaounde, during the first 15 years of independence, relied heavily on its former colonial ties to France to develop the modern sector. France was Cameroon's major trading partner and aid donor, providing both generous financial and technical assistance for construction projects, marketing facilities, and improved agricultural production and education. French managers dominated banking, foreign trade, industry, and plantation agriculture. Membership in the French-backed Central African Customs and Economic Union (UDEAC) also facilitated trade between Cameroon and other member African states because of the shared convertible currency. 25X1

Weathering World Market Price Fluctuations

Like many LDCs, Cameroon benefited from the tropical products boom in the mid-1970s, which helped the country pull out of the world oil shock of 1973-75. Our analysis indicates that increased cocoa and coffee revenues and Western donor assistance were the primary forces behind the growth in real GDP, which climbed from 1.5 percent in 1975 to 4.0 percent yearly during 1976-78, approximating the average of the previous 15 years. Even with the more rapid growth, 25X1

[redacted], inflation remained manageable largely because Yaounde's restrictive credit policies and public sector wage restraints damped consumer demand without crimping investment. In fact, [redacted] surging public and private outlays boosted average annual domestic investment to 20 percent of GDP during 1976-78, five percentage points above the share at the start of the decade. Although our analysis indicates investment-induced borrowing caused the external debt--largely to France and the United States--to top $1 billion by 1978, the debt service ratio remained low at only 8 percent (see Table 1). [redacted] 25X1 25X1 25X1 25X1

The Impact of Oil

[redacted] 25X1

We believe Cameroon has been more successful than West Africa's two other major oil producers--Nigeria and Gabon--in managing its oil windfall. US Embassy reporting indicates the government has employed oil money and other financial resources to build up other sectors of the economy, specifically agriculture and industry. As a result, by the end of 1981 economic growth had topped 6 percent for the third year in a row. Oil production increased by more than 25 percent to 88,000 barrels per day (b/d), while agricultural output increased--although at a rate somewhat lower than earlier years--as a result of the government's favorable pricing policies and good weather conditions. Industrial performance was also strong, led by food processing activities. [redacted] 25X1

In addition, Cameroon moved ahead in reducing its chronic current account deficit. More than $1 billion in 1981 oil revenues again offset depressed cocoa and coffee receipts. Yaounde's fiscal policies also held nominal import growth that year to little more than 10 percent. As a result, we estimate that Yaounde had by then contained its current account deficit to under $200 million (the lowest since 1977), an amount easily financed by foreign donors and bankers against the collateral of Yaounde's oil potential. Although the external debt climbed to $2.4 billion by the end of 1981, the 15 percent debt service ratio was still fairly low for an LDC. Typical of many LDCs in the throes of an oil boom, however, Cameroon began to experience increased demand-generated inflationary pressures as public expectations rose sharply. [redacted] 25X1

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TABLE 1

Cameroon: Selected Financial Indicators, 1977-1982

	1977	1978	1979	1980	1981*	1982**
	Million US $					
Exports (f.o.b.)	828.1	1078.5	1302.6	1620.0	1880.0	1500.0
Cocoa	330.2	326.2	331.2	277.9	215.0	210.0
Coffee	400.4	320.1	356.1	299.4	235.0	220.0
Oil	--	25.0	265.0	720.0	1100.0	850.0
Imports (f.o.b.)	-787.6	-1047.3	-1314.7	-1550.4	-1735.0	-1800.0
Trade Balance	40.5	31.2	-12.1	69.6	145.0	-300.0
Services and Transfers	-149.9	-218.2	-268.5	-287.1	-325.0	-350.0
Current Account Balance	-109.4	-187.0	-280.6	-217.5	-180.0	-650.0
Foreign Exchange Reserves (yearend)	42.4	52.3	125.7	173.5	70.9	NA
External Public Debt	861.0	1182.8	1663.7	2000.0	2400.0	2800
	Percent					
Real GDP Growth	4.0	5.0	6.1	6.2	6.5	6.0-7.0
Inflation Rate	14.0	12.5	10.0	12.0	15.0	16.0
Debt Service Ratio	6.0	8.0	8.0	13.0	15.0	20.0

* Estimate
** Projected

Table 2
Previous Economic Plans

First Five-Year Plan: 1960/61 - 1965/66

3 Cameroon's first plan was prepared by two private French consulting firms and covered only French-speaking Cameroon. When reunification occurred in October 1961, the program was subsequently extended to the whole country. This plan emphasized agricultural production, roads and railways, and social projects. Total planned investment amounted to $148 million (current dollars). 25X1

Second Five-Year Plan: 1966/67 - 1970/71

3 Although the second plan was written primarily by French consultants, it was the first to use various planning structures at the local, department, provincial and national levels. It was also the first plan to set up a program to achieve Ahidjo's goal of doubling per capita income by 1980. The plan was known as the "Farmer's Plan". Education, transportation, and industrialization efforts were also emphasized. Total spending amounted to $462 million. 25X1

Third Five-Year Plan: 1971/72 - 1975/76

3 The third plan was the first written by Cameroonians. Its preparation also involved more local participation than either of the two preceeding plans. The third plan was labeled the "Plan of Production and Productivity" because of its emphasis on industrial development and commerce. Total spending amounted to $784 million. 25X1

Fourth Five-Year Plan: 1976/77 - 1980/81

3 In addition to those local elements that participated in the preparation of the previous two plans, the drafting of the fourth plan included village development committees, sectoral study groups, and the provincial and national planning commissions. The fourth plan also brought modern methods of growth analysis and statistics into the planning process. In particular, the fourth plan focused on projects to eliminate bottlenecks, especially the still-acute transportation deficiencies, that hinder a more rapid development of the economy. Investment costs during the fourth plan amounted to $2 billion. 25X1

We believe that economic growth during 1982 probably equaled 1981's impressive rate but at some cost. The slack world oil market and increased domestic consumption reduced oil export earnings to only about $850 million. This downturn, along with still depressed sales of cocoa and coffee, cut total export earnings to only about $1.5 billion, down nearly $400 million from 1981 and the lowest since 1979. With import and service charges on the rise as Yaounde accelerated its 1981-86 development program, we believe the current account deficit hit some $650 million, which available data indicate is the largest since independence. [redacted] 25X1

[redacted] the international banking community have reported no signs that Yaounde had problems financing this shortfall. [redacted] we estimate that Cameroon borrowed about $400 million from various international sources. The remaining $250 million came from an estimated $900 million in overseas oil investments that the government had been accumulating as a financial cushion since the start-up of its oil production. [redacted] 25X1 25X1 25X1 25X1

Looking Ahead

The Financial Picture

Cameroon, unlike most of its West African neighbors, has an opportunity to regain and maintain a strong financial position over the next several years. We believe, however, that this will require the Cameroonian government to make extensive and politically risky adjustments in the current development program (see Appendix B). These would involve cancelling or delaying indefinitely many prestige projects which are the basis for regional industrialization schemes. The government would have to carry out a careful balancing act to ensure that various interest groups particularly those in English-speaking West Cameroon, do not feel that they are suffering disproportionately from budget reductions. Such changes could probably be carried out fairly easily if Ahidjo were still at the helm. President Biya does not have Ahidjo's prestige, however, [redacted] 25X1 25X1

Should Cameroon manage to implement the fifth development plan as it now stands, we estimate that the country will face a cumulative current account deficit of $4 billion to $5 billion over the period 1982-86 (see Table 3) and will have an overall debt by the end of 1986 in excess of $6 billion[1]. In addition, we believe Yaounde will be forced to draw down its remaining $650 million financial buffer (oil earnings held abroad)--perhaps as early as next year--just to make ends meet. (See Appendix D).

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[redacted] 25X1

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Cameroon could, as a result, be forced to turn to the IMF for balance of payments assistance or perhaps to the London or Paris Clubs for debt rescheduling by the end of the decade. 25X1

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Yaounde also expects to borrow $1.8 billion from foreign government sources; $500 million from the Franc Zone and another $1.3 billion in aid credits from Western donors. Again, we are
1/3 not optimistic that Cameroon will be able to borrow these amounts. The Franc Zone itself is in severe financial straits because of chronic foreign exchange shortages of the Zone's member countries, while Western donors, especially France, are being more selective in their aid disbursements to help restore their own financial position. 25X1

In addition to financial problems, implementation of the plan will also be affected by manpower and transport deficiencies (See Appendix B). With less than 5 percent of the population
3 possessing any technical skills, the country has a severe shortage of qualified labor and must depend on expatriates, mainly French, to fill most of the technical and managerial positions. The transport network is grossly inadequate, with most roads impassable during much of the year. 25X1

The Political Scene

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Cameroon's prospects now clearly depend on newly-installed President Biya's ability to consolidate his power and handle the economy. Cameroonian officials and international development experts agree that the country's economic future requires major investments in agriculture to maintain Cameroon's rare ability among African states to feed itself. This, however, would be possible only at the expense of more popular projects in industry--such as the Kribi liquified natural gas (LNG) project[2] --and social programs involving education, health and housing. [redacted] 25X1

1/19

We are concerned how Biya will implement any needed program cuts to minimize popular disaffection. Particularly worrisome, in our opinion, will be the reaction of residents in English-speaking western Cameroon, who have long resented what they believe is second-class treatment by a French-dominated bureaucracy in Yaounde. Biya is from French-speaking southern Cameroon, and we assume that he is well aware of the potential for local unrest if he does not appear sympathetic to the concerns of his western constituents. His task will be complicated by the fact that all of the country's current oil production is off the western coast, and we believe that regional politicians are carefully monitoring how oil money is being used to improve local living standards. [redacted] 25X1

16/17/18/19/20

Biya's track record since he assumed office in November is encouraging. US Embassy sources indicate that his succession has been accepted calmly by Cameroonians. In addition, Biya has used his administrative talents to make some politically adroit moves and to consolidate his position. In our view, his appointments of cabinet ministers from the country's principal tribes and his choice of a Muslim northerner as prime minister--his constitutional successor--reflect his awareness of the political need to balance his status as a non-Muslim, southern minority tribesman. [redacted] 25X1

21/22

We view Cameroon's military and internal security forces as generally apolitical and able at least for now to keep any anti-government movements from taking root. According to US Defense Attache reporting, these forces are disciplined, well-trained, and have a reputation for preventing dissension. Should domestic

[redacted] 25X1

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unrest develop, Biya, like his predecessor, will probably rely on the national police and gendarmerie--which receive better pay and allowances than the army-- to maintain internal order. Biya almost certainly will also adopt Ahidjo's use of the threat of force and the promise of a share of the political spoils [redacted] 25X1 to keep Cameroon's many 25X1 disparate tribes working together. [redacted] 25X1

21/22 Still, we cannot rule out domestic unrest based--at least in part--on economic grievances. We believe, in particular, that the military could become increasingly disenchanted with the government if spending cuts prompt a sharp decline in economic activity and the lower ranks are forced to support financially a growing number of family members. The military will probably also be watching to ensure that it is not required to bear an excessive share of the cost of any economic slowdown. [redacted] 25X1

US Interests

1/19/23 American influence in Cameroon, according to US Embassy reporting, has grown considerably in recent years. President Ahidjo visited Washington in 1982, following a visit to Cameroon of Secretaries Block and Baldrige earlier in the year. Cameroon has purchased US military hardware and civilian aircraft, and an increasing number of US firms and financial institutions are setting up operations. [redacted] 25X1

Although many US companies have found advantages in doing business in Cameroon they also cite several drawbacks:

--The need to accommodate to the French system--language, customs, business practices--which, over the years, has become firmly entrenched in Cameroon.

--The increasing role of corruption.

--The ponderous red tape that limits the ability of a company to realize a profit in under 18 months.

3 --The need to justify expatriate positions to Cameroonian authorities and the requirement that Cameroonian nationals must fill certain other positions within a specified time limit.

--Finally, what businessmen see as a total lack of communication between responsible Cameroonian officials and US company representatives, which results in protracted contract negotiation and renegotiation. [redacted] 25X1

19/23 We agree with the US Embassy's assessment that the recent change in leadership in Yaounde provides the US with an opportunity to expand its role, as Biya looks to the country's traditional benefactors for support. This opportunity could be short-lived, however, if Washington fails to meet growing Cameroonian expectations for financial and technical assistance We believe Cameroonian officials assume--because of Ahidjo's

successful visit to Washington in 1982 and the trade and investment mission earlier in 1982--that Cameroon has a new, special relationship with the United States. Yaounde, in our view, expects substantial aid, especially in agriculture. The country probably also expects an even larger amount of private US investment in support of priorities outlined under the five-year plan. 25X1

If, as we expect, US and other Western donors do not provide aid and investment on the scale envisaged by Cameroonian officials, we believe that Cameroon has little choice but to reduce substantially its current development program. Yaounde theoretically could turn to Moscow or Tripoli for assistance, but we believe Cameroon's pro-Western, anti-Soviet and anti-Libyan biases will prevent it from seeking help in those quarters. US Embassy reporting indicates that the present Cameroonian elite has not forgotten that the USSR and other Communist states provided material support for an unsuccessful tribal insurgency by Cameroonian dissidents in the early 1960s. Even if Biya were to approach the Soviet Union or Libya, these countries' own economic difficulties almost certainly would prevent them from providing more than token assistance. 25X1

Moreover, we do not believe that, in the event of a coup, Cameroon's new leaders would seek the military assistance that the Soviets and Libyans sometimes offer in an effort to expand their influence with fledgling governments. In our judgment, a new military regime, at least initially, would continue to look to France--the army's traditional source of arms and training--for help. US Embassy and Defense Attache reporting indicates that the Cameroonian military has been thoroughly screened for years to root out any personnel with suspected leftist views. 25X1

Appendix A

Development Planning in Cameroon

Laborious Planning Process

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Former President Ahidjo's determination to use certain aspects of both a free market and a centrally planned economy has made planning in Cameroon a lengthy and arduous process. [redacted] 25X1
3 the government determines both the pace and direction of economic development, but the public also participates in the planning process; private enterprise, meanwhile, is encouraged with various tax and investment incentives. [redacted] 25X1

3 Unlike economic planning in many other African countries and various states throughout the Third World, the planning process in Cameroon is not a pipe dream. Interviews in-country with members of the country team and Cameroonian officials and ordinary citizens alike document that the nearly two-year-long procedure does, in fact, take place and involves everyone from high government officials down to village elders. [redacted] 25X1

3 The document that emerges from this process deals exclusively with development projects and programs. It does not set production targets for the private sector. In that regard, it differs sharply from French indicative planning, even though the early plans were drafted by French advisors. [redacted] 25X1

3 According to Cameroonians involved with the current development program, the planning process begins with the President providing general guidelines and a time-table for the work to be done. The President thereafter usually does not become involved in the procedure until the completed document reaches his desk for signature. [redacted] 25X1

3 Once the President initiates the process, officials drawn from national, provincial and department (district) government levels review the previous plan, looking for ways to streamline it. Following completion of the review process, the Minister of Economy and Planning sets up study groups of senior government officials to identify development priorities within each sector of the economy. Similar groups are established at the provincial and department levels. [redacted] 25X1

3 The various study groups then prepare a detailed plan for meeting sectoral priorities. This work, [redacted] 25X1
requires sophisticated statistical techniques such as linear regression and time-series analysis. Manpower and logistical needs are also considered. These reports are used later in the process to gauge the practicalities and priorities of proposed projects. [redacted] 25X1

25X1

3 Meanwhile, village committees throughout the country decide what projects they want implemented over the next five years. [redacted] these committees consist of local 25X1 political leaders, tribal rulers, local businessmen, and "prominent sons of the area." Their reports, though unsophisticated and often little more than wish lists, are taken into consideration, [redacted] by planning 25X1 officials higher up the line. [redacted] 25X1 25X1

3 The villagers' reports are discussed at subsequent regional meetings up to the department level in each of the provinces. Projects are added to the villagers' lists based on their viability and on how well they mesh with the department's sectoral projections. [redacted] impractical 25X1 projects are dropped while others may be added for political reasons. Completion of the department's development proposal is timed to coincide with completion of the national and provincial sectoral reports. [redacted] 25X1

3 The department's proposals along with the provincial sectoral assessments are remanded to the provincial planning commissions--which, [redacted] consist of representatives 25X1 from both government and private industry--to be incorporated into the provincial development plans. The sectoral studies help to measure the practicality of the projects presented in the department plans. [redacted] 25X1

3 The national planning commissions then meet to consider the reports prepared previously by the national sectoral study groups and the preliminary provincial development plans. These planning commission members weigh the merits of the provincial plans against the statistical projections of the national sectoral studies. Embassy sources report that these commissions, staffed by officials from MINEP and other government ministries, are responsible for the first draft of the five-year development plan. The Minister of Economy and Planning reviews the document, makes appropriate revisions and then submits it to the various ministries for approval. Once the ministries have approved, the draft goes to the National Assembly. Only after this long and involved process does the plan receive presidential signature. [redacted] 25X1

Administration and Implementation

3 The Ministry of Economy and Planning, in addition to acting as the focal point for preparing the plan, is responsible for its implementation. After the plan is completed, it is returned to the Minister of Economy and Planning. He then presents the plan

to each of the provinces. Each provincial governor in turn presents the plan to each department, and the departments present it to the villages. Each level of government reviews the changes made to its own draft plan at the national level, incorporates them, and begins implementation. [redacted] 25X1

Each governmental body (province, department, or village) is responsible for implementing its part of the plan. For major projects, particularly those of great interest to the head of state, however, the Ministry of Economy and Planning takes an active role. [redacted] MINEP, together 25X1
3 with the Ministry of Finance, holds the purse strings for large undertakings and thus wields considerable control over project implementation. For less prestigious projects, MINEP allows local jurisdictions more leeway, although it still maintains financial control through the Ministry's Office of Control. [redacted] 25X1

Because the planning process is so extensive, with the details concerning implementation of a project worked out in advance, executing the plan is generally straightforward.
3 [redacted] the various ministries are 25X1
expected to undertake projects in the order in which they are ranked in the plan. In addition, timelines are drawn up for each project, which dictate when particular phases must be undertaken and completed, and even manpower needs and transportation routes are worked out. [redacted] 25X1

Even with careful planning, however, projects are sometimes delayed, altered, or abandoned--usually, [redacted] 25X1
[redacted], because of insufficient financing or technical problems. Although on-site engineers judge whether technical 25X1
3 difficulties are insurmountable, MINEP officials make the final decision on altering the project's timetable or focus. Where financial problems are involved, MINEP consults with Ministry of Finance officials before making a decision. [redacted] 25X1

Financing

3 All financial aspects of the development plan are the shared responsibility of the Ministry of Economy and Planning and the Ministry of Finance. Other ministries are involved only when questions arise on projects under their jurisdiction. [redacted] 25X1

Costing-Out the Plan

3 Project costs are reviewed at each level of the planning process, particularly at the federal level. Although wealthy local businessmen fund some of the smaller projects, larger undertakings are heavily dependent on government financing.

Financial details for each project--particularly any foreign exchange requirements--are first worked out at the provincial level to evaluate the feasibility of the proposals from the department and other lower levels of government. [redacted] some projects are dropped at provincial review because of inadequate financing. For those that are approved, a cost schedule and financial arrangements are drawn up to be reviewed by the National Planning Commission (NPC). Projects that survive NPC scrutiny are incorporated into the final plan document that is presented to the President for signature. [redacted] 25X1 25X1 25X1

Receipts Projections

3 In terms of public financing, three sources are explored; investment budget funds, money held in an account outside of the budget (oil earnings from the government's share of production), and borrowing from both domestic and foreign sources. [redacted] 25X1

3 The investment budget represents the funds remaining for development purposes after recurrent expenditures and debt servicing requirements are met. These projections are the budgetary savings line-item in the local public financing section of the financial plan. [redacted] 25X1

3 All government oil earnings aside from taxes and royalties are formally omitted from the plan. These revenues are set aside to be used when financial shortfalls affect the implementation of high-priority projects. [redacted] 25X1

3 Expected government domestic borrowing, called local public loans, is listed under the local public financing section of the financial plan. Other local public resources, which [redacted] are probably contributions from parastatals and central bank resources, account for the remainder of local public financing. Foreign aid projections, which make up the external public financing entry, include loans already obtained, anticipated loans, and subsidies. [redacted] 25X1 25X1 25X1 25X1

3 Sources of private funds are not detailed in the financial plan, but government officials claim such money represents commercial loans from foreign bankers and lending by private Cameroonian citizens and companies. [redacted] 25X1

Appendix B

Cameroon's 1981-86 Development Plan

Government Goals

The current development plan--the most sophisticated to date in preparation and democratic in terms of participation--is targeted at consolidating the gains of previous plans (see Box-Table 2), meeting more of the economic and social demands of the Cameroonian people, and extending the diversification of the economy (see Table 4). To reach these goals, the government seeks to exploit more fully Cameroon's abundant natural resources--
3 particularly oil and natural gas. In addition to developing its petroleum industry, Yaounde wants to move ahead on several other major programs; in order to:

- -- Accelerate regional economic development.
- -- Maintain self-sufficiency in food.
- -- Expand the production of traditional export crops.
- -- Increase utilization of domestic raw materials in industrial production. [redacted] 25X1

The Plan by Productive Sector

Primary Sector

The major goals for agriculture in the new plan are to meet the country's food needs and to expand production of agricultural exports. The government believes, and we agree, that a critical element in meeting these objectives is to avert large-scale or
3 excessively rapid rural/urban migration, which Cameroonians claim is responsible for the disastrous agricultural performance in neighboring Nigeria. As a result, the plan's agricultural investment strategy is aimed at making rural life more attractive to Cameroonians. Key targets are to keep producer prices high and improve the availability of credit, fertilizers, and other agricultural extension services. [redacted] 25X1

Secondary Sector

In the manufacturing sector, Cameroonian government officials are focusing on agricultural processing and light manufacturing
3 industries. The plan calls for a significant expansion in the processing of local raw materials and intermediate goods for both domestic consumption and export. Continued exploitation of petroleum reserves and hydroelectric power sources along with development of natural gas and bauxite also rank high on the

Table 4
The Fifth-Five Year Development Plan

million US $ (1981)

	Investment	Percent of Total
TOTAL	8004.6	100.0
Primary Sector	1896.6	23.7
Agriculture	1512.5	18.9
Livestock and Fisheries	288.1	3.6
Forestry	96.0	1.2
Secondary Sector	1312.5	16.2
Industry	640.2	8.0
Mines and Power (Including Oil Development)	672.3	8.4
Tertiary Sector	614.6	7.7
Commerce	55.5	0.7
Transport	383.0	4.8
Tourism	176.0	2.2
Attendant Sectors	2916.6	36.4
Communication Infrastructure	1692.3	21.1
Ports and Waterways	96.0	1.2
Roads and Bridges	978.0	12.2
Railways	220.3	2.7
Aviation and Meterology	152.0	1.9
Post Offices and Telecommunications	246.0	3.1
Town Planning, Equipment, Research	1224.3	15.3
Town Planning and Housing	880.3	11.0
Territorial Development	48.0	0.6
Administrative Buildings	192.0	2.4
Research	64.0	0.8
Studies and Surveys	40.0	0.5
Social Sector	1264.3	15.8
Education/Training	704.2	8.8
Youth and Sports	112.0	1.4
Information/Culture	128.0	1.6
Health/Social Affairs	320.1	4.0

government's industrial development priorities list. The government anticipates an increasing role for both foreign and domestic investors and includes in its development strategy provisions for revamping its investment code and tax structure. 25X1

Tertiary Sector

Along with increased industrial production, Yaounde is looking to a major expansion in commerce, transport, and tourism. To enhance the role of its budding tourist industry as a source of foreign exchange, Yaounde plans to develop several new
3 tourist sites and construct 3000 additional hotel rooms. The government hopes to hold several international trade fairs and construct new warehouses, storage facilities, and commercial markets. Other investments involve acquiring trucks, rail cars, aircraft, and other kinds of transport machinery and equipment. 25X1

For communications, investment is aimed at both improving existing facilities and expanding links both domestically and internationally. In terms of transport, investment projects include:

- -- Construction of 2000 km of roads and 1190 meters of bridges.
- -- Reinforcement of 1200 km of roads.
- 3 -- Realignment of the Transcameroonian railway.
- -- Extension of Douala port to include fruit and minerals terminals.
- -- Construction of a deep-water port near Kribi,
- -- Expansion of Douala airport to accommodate large transport planes.
- -- Construction of new airports at Garoua and Bafoussam.

In addition, the plan envisages improving the country's internal and international telecommunications network, upgrading the mail service, and constructing new post office buildings. 25X1

The plan also includes new initiatives in town planning, town expansion and development research. Urban development projects include a major expansion in the availability of potable water and
3 electricity, improved drainage and sanitation facilities for Douala and Yaounde, a 14,000-unit housing program, and the creation of industrial zones. Development research will highlight improving food crop production, animal husbandry, and nutrition. 25X1

Social Benefits

Education

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Government planners hope to build the 17,000 classrooms and train the 20,000 teachers they anticipate will be needed to handle the projected doubling in school enrollment by 1986. Increased attention will also be paid to technical and vocational education to fill the country's needs for skilled manpower. Other proposals include the establishment of a national education fund and a public relations campaign to encourage Cameroonians to become teachers. 25X1

Health

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In recognition of the country's inadequate system of health care, Yaounde has proposed a major expansion in health services. Some of the more ambitious programs include the construction of 41 hospitals and 36 mother and child care facilities, and the training of nearly 4,000 medical and para-medical personnel. Preventive medicine will receive new emphasis, as will more active participation by village communities in good health care practices. 25X1

Youth and Sports

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The primary goal of this aspect of the plan is to enhance the ability of Cameroonian youth to adjust to modern values while retaining some ties to their cultural heritage. Government officials believe this approach is the best way to minimize the possibility of a sharp increase in juvenile deliquency that they see elsewhere in black Africa. Investments include constructing a national institute for youth and sports (with 5 regional centers and three sports stadiums), purchasing equipment, and improving existing sports facilities. 25X1

Financing the New Plan

3

The fifth five-year plan calls for investment totaling some $8 billion, four times that under the previous plan. Financing is to be split 60/40 between public and private sources respectively (see Table 5). The largest component of public sector financing is budgetary savings, or the amount of public revenues left after current operating costs are covered. According to the financial plan, Cameroon expects these savings to total $1.6 billion over the life of the plan. Other local public resources--central bank holdings and contributions from parastatals--are to contribute another $1.4 billion. The remainder of public financing will come from borrowings against the country's Franc Zone account, $500 million; and external borrowing, $1.3 billion. Private financing

Table 5
The Financial Plan

	Million US $	Percent
Total	8004.6	100.0
Public Financing	4801.6	60.0
Local Public Financing	3479.4	43.5
Budgetary Savings[1]	1586.6	19.8
Other Local Public Resources[2]	1370.9	17.2
Local Public Loans[3]	521.9	6.5
External Public Financing	1322.2	16.5
Loans Already Obtained	372.3	4.7
New Loans to be Contracted	775.9	9.7
Subsidies[4]	174.0	2.1
Private Financing	3203.0	40.0

[1]According to the plan, these are government revenues remaining after current operating expenses are covered.

[2]Cameroonian officials suggest this money represents contributions from parastatals and central bank resources.

[3]Cameroon can borrow up to 15 percent above their reserves on deposit in the Central Bank of Equatorial Africa, the local Franc Zone bank.

[redacted] 25X1

[redacted] 25X1

is to supply the remaining $3.2 billion. Government planners anticipate funds will come from international financial institutions and private businessmen. [redacted] 25X1

As noted in the text of this paper, we believe Yaounde will be hard-pressed to come up with anything close to the funds specified in the plan. This is largely because Yaounde's chief benefactors--Paris especially--have financial problems of their own and are slowing new aid commitments. In addition, international lending institutions are nervous about LDC lending
3 because of the Mexican and Brazilian financial crises. Moreover, what we see as the overestimation of oil revenues for the period will limit the government's own domestic resources available for development purposes. [redacted] 25X1

Other Implementation Problems

3 We believe that aside from financial considerations, deficiencies in manpower and transport will impede completion of the plan. Excessive red tape and bureaucratic inertia will also slow the process. [redacted] 25X1

Inadequacies in the country's transportation system are especially worrisome. Currently, [redacted] 25X1
[redacted], the country's transport network consists of:

3/24
- --65,000 km of roads.
- --1165 km of railways. 25X1
- --Two principal seaports, Kribi and Douala, and two secondary ports, Victoria and Tiko.
- --One seasonal river port at Garoua.
- --The international airport at Douala and 12 smaller domestic airports scattered throughout the country. [redacted] 25X1

Although the transport network is fairly extensive, there are serious problems that affect the flow of traffic. Except for a few roads in the major cities, the country's road system, by far the dominant mode of transport, is in disrepair. In addition, most roads are made only of gravel and earth, and are frequently impassable during the rainy season. [redacted] 25X1
3/24 the state-owned railway consistently operates at a loss because of shortages of rolling stock and locomotives and managerial and operational deficiencies. Douala port, which handles 90 percent of the country's trade, operates at only 50 percent of capacity because of poor administration and bottlenecks in such areas as customs. Air transportation is not reliable because of frequent delays resulting from management and maintenance problems. [redacted] 25X1

Skilled manpower shortages will also have an adverse effect
3 on the country's development plans. According to the 1976 census--the last available--the Cameroonian work force accounts for 40

percent of the total population, of which [redacted] 25X1
[redacted] 83 percent are engaged in agriculture and lack other
skills. Of the remainder, employed by industry and government, 25X1
Embassy reporting indicates most are also unskilled. Even those
who have received several years of education have pursued a
predominantly liberal arts curriculum with few science and
engineering courses. As a result, the country is dependent on
expatriate labor--mostly French--for filling most of the technical
and managerial positions in the economy. [redacted] 25X1

Agricultural development could suffer the most from manpower
and transport deficiencies. [redacted] 25X1
[redacted] the country's ability to feed
itself is declining because of outdated technology, rural
3 migration, and difficulties in moving products to markets posed by 25X1
poor roads and lack of trucks. These economists believe that
Cameroon will become a net food importer by 1990 largely because
it will take at best a minimum of 10-12 years to rebuild
agriculture even if the government moves now to address the
problem. [redacted] 25X1

US Embassy sources, who believe the Cameroonian government is
aware of the farm problem, cite Yaounde's designation of
agriculture as the country's top development priority. In
3 addition, planners have drawn up a series of policy initiatives
that they hope will persuade highly productive farmers either to
stay in or return to the countryside. These include annual raises
in producer prices for both food and cash crops, increased
training in advanced farming techniques, and expanded availability
of agricultural credit. [redacted] 25X1

Nevertheless, we anticipate serious problems in implementing
these projects. The absence of skilled administrative personnel
for example, will impede the ability of the government to process
applications for farm credits and to offer new extension services
3 on a wide scale. In addition, few Cameroonians are qualified to
be extension agents. Moreover, any increase in production would
place serious strains on the country's already weak transport
system. This is especially a problem for perishable crops such as
bananas and cocoa. [redacted] 25X1
Cameroon will be lucky to meet half of its goals for agriculture
because of these factors. [redacted] 25X1

Other facets of the country's development program will also
feel the impact of manpower and transportation deficiencies, in
our view. Industrial projects can be expected, at a minimum, to
3 fall behind schedule due to delays in machinery and equipment
deliveries at the port and the ability of most roads to handle
heavy loads for only 5 to 7 months out of the year. Social
projects--particularly health care and education--will lag because

of insufficient personnel, while lack of timely deliveries of equipment and raw materials will push back the timetable for completing the plan's ambitious housing program. 25X1

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Appendix C

Making the Most of Oil

Oil is a prominent feature in any Cameroonian development scenario. We estimate it accounts for 50 to 60 percent of foreign exchange earnings. [redacted] 25X1

2/5/7 [redacted] 25X1

Cameroon currently produces about 100,000 b/d of oil. By 1987, according to oil industry estimates, production should peak at 157,000 b/d. [redacted] 25X1

2/5/7 [redacted] 25X1

2/4/8/9/ 10/11/12/14

The present energy chief is Samuel Libock, Director of Cameroon's national oil company, Societe Nationale des Hydrocarbures (SNH). Although industry decisions ostensibly are made by the SNH Board of Directors, Libock clearly is the government's primary spokesman, according to Embassy sources. During the past several years, he has moved to tighten Cameroon's grip on the oil industry, to the dismay of US oil companies operating in Cameroon. [redacted] 25X1

-- In December 1978 Libock announced a new law that required the government's share of production to be no less than 40 percent of the oil production from each company operating in Cameroon. [redacted] 25X1

-- The following year, Libock asked the French oil company Total to draft an additional agreement regulating Yaounde's share of oil revenues. The primary change involved an increase in the government's share of total revenue from what we estimate was about 75 percent to 87 percent, with the additional amount to come out of company profits. After some modifications, the Cameroonian government decided these provisions would apply to all other companies as well. Total and ELF, another French firm went along with the proposal, but the various US oil companies--Gulf, Mobil, and Shell Pecten--resisted, claiming that they already had valid agreements. [redacted] 25X1 25X1

-- SNH then turned to ELF--the only firm currently producing oil in Cameroon--to prepare another agreement that would control timetables for debt amortization and repatriation of profits by all oil companies. Copies became available to oil companies in

the spring of 1981. Only ELF, Total, and the US firm Shell-Pecten, which shares its concessions with ELF, have signed the new operating convention.

[redacted] 25X1

We believe that Libock did not act on his own in imposing these additional restrictions. Since former President Ahidjo frequently shuffled senior government officials to remind them
3/4 that he was in control, it is our opinion that he would have removed Libock if the latter were not in fact following Presidential orders in such important matters. In addition, we believe that Ahidjo monitored very closely overall oil policy decisions and would have moved quickly to stop Libock from doing something not in Cameroon's interests. For the time being, Biya--probably preoccupied with consolidating his own position--seems content to leave Libock in charge of oil policy. [redacted] 25X1

In our view, Libock's decisions clearly benefit Cameroon in terms of increasing Yaounde's share of oil revenues. We also 25X1 believe that his actions may reflect government concern over the
2 short life-span of current oil reserves. [redacted] we know that Yaounde expects 25X1 production will start to decline sometime in the 1990s. We do not know, however, the assumptions the government is using in making this projection. [redacted] 25X1

We believe Libock's behavior could also reflect Yaounde's bowing to French pressure. Libock could be deliberately trying to force US oil companies out of Cameroon, leaving the field open to French firms. US Embassy sources report that French oil companies relinquished to American oil concerns what are now relatively large oil deposits in Ivory Coast and do not intend to suffer the
2 same fate in Cameroon. [redacted] 25X1

25X1

25X1

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